

Message Text

UNCLASSIFIED

PAGE 01 MANILA 02858 111043Z

15

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DRC-01 /160 W
----- 056357

P 110914Z MAR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 1750

UNCLAS MANILA 2858

E.O. 11652: NA

TAGS: ENRG, ETRD, RP

SUBJ: TRADE AND INVESTMENT OPPORTUNITIES ARISING FROM
ENERGY SITUATION

REF: STATE 040537

BEGIN SUMMARY: EFFECTS OF PETROLEUM AND RAW MATERIAL
SUPPLY/PRICE SITUATION INCLUDE SHORT-TERM OPPORTUNITIES
FOR US SALES OF STEEL, CHEMICALS AND FERTILIZER AND
LONGER-TERM IMPROVED SALES OF HEAVY EQUIPMENT FOR
MINING AND LOGGING INDUSTRIES AND AGRO-INDUSTRIAL
MACHINERY. IN ADDITION GOP WILL BE LOOKING TO ENERGY
SOURCES OTHER THAN PETROLEUM FOR POWER GENERATION AND
TRANSPORT. SIGNIFICANT OUTWARD FLOW OF INVESTMENT
FUNDS IS BELIEVED UNLIKELY. END SUMMARY.

1. PRIOR TO OCTOBER, 1973, PHILIPPINES WAS FEELING
PINCH OF WORLDWIDE SHORTAGES OF PRODUCTS SUCH AS STEEL
SLABS, BILLETS AND COILS, CHEMICALS FOR PLASTIC AND
TEXTILE INDUSTRIES AND FERTILIZERS. SINCE ENERGY
CRISIS TRADITIONAL SUPPLIER, JAPAN, HAS BEEN SLOW IN
FULFILLING CONTRACTS AND IN SOME CASES, LIKE SEMI-
FINISHED STEEL, UNABLE OR UNWILLING TO SUPPLY. FOR
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MANILA 02858 111043Z

IMMEDIATE FUTURE, AT LEAST UNTIL SUPPLY SITUATION

NORMALIZES, PRICE CONSIDERATIONS WILL BE SECONDARY TO SUPPLY AND THERE WILL BE OPPORTUNITIES FOR AMERICAN SUPPLIERS. STEPPING INTO BREACH AT THIS POINT COULD REDOUND IN US FAVOR AS LOCAL USERS COULD SEE ADVANTAGE OF RELIABILITY OF SOURCE OF SUPPLY OVER PRICE DIFFERENTIAL.

2. FOR LONGER TERM, NEED FOR FOREIGN EXCHANGE TO FINANCE PETROLEUM IMPORTS WILL ENCOURAGE ACCELERATED EXPANSION OF EXPORT INDUSTRIES. AREAS WHERE US PRODUCTS WOULD HAVE GREATEST POTENTIAL WOULD BE IN MINING AND LOGGING EQUIPMENT, WOOD PROCESSING EQUIPMENT AND AGRO-INDUSTRIAL MACHINERY. US SUPPLIERS NOW HAVE SIGNIFICANT SHARE OF THESE MARKETS AND PRODUCTS ARE HIGHLY REGARDED BY LOCAL USERS. BUT BECAUSE OF GOVERNMENT DETERMINATION TO PROTECT FOREIGN EXCHANGE RESERVES, SUPPLIERS WOULD HAVE TO BE ABLE TO OFFER LIBERAL FINANCING.

3. AS RESULT OF ENERGY COST SQUEEZE GOP HAS OVER-HAULED LONG-TERM POWER DEVELOPMENT PROGRAM. EMPHASIS WILL BE ON REPLACEMENT OF PETROLEUM WITH ALTERNATE SOURCES OF ENERGY, SUCH AS NUCLEAR, GEOTHERMAL AND, PERHAPS, COAL. IN ADDITION GOVERNMENT STUDYING MASS TRANSIT SYSTEM FOR MANILA METROPOLITAN AREA TO REDUCE RELIANCE ON INTERNAL COMBUSTION VEHICLES. BOTH AREAS HOLD PETENTIAL FOR US SUPPLIERS, PARTICULARLY IF AMERICAN ELECTRICAL FIRMS WOULD BE WILLING SUPPLY SMALL (50-60 MEGAWATT) TURBINES FOR USE IN ELECTRIFICATION PROJECTS.

4. GOP FOSTERING OIL EXPLORATION PROGRAM IN OFFSHORE AREAS. UP TO NOW OFFSHORE WORK HAS BEEN UNDERTAKEN BY FOREIGN OIL EXPLORATION COMPANIES. THERE IS POSSIBILITY THAT LOCAL CAPITAL WILL ENTER FIELD THUS CREATING MARKET FOR OIL EXPLORATION EQUIPMENT. THAT POSSIBILITY MAY BE SEVERAL YEARS AWAY BUT IT WOULD BE PRUDENT FOR US SUPPLIERS WHO ARE ACTIVE IN OTHER COUNTRIES THIS AREA TO VISIT PHILIPPINES FROM TIME TO TIME SO AS TO BE PREPARED IF MARKET DEVELOPS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MANILA 02858 111043Z

5. IN 1973 PHILIPPINES INCREASED FOREIGN EXCHANGE RESERVES BY OVER \$600 MILLION TO HIGHEST LEVELS ENJOYED IN MANY YEARS. GOP DETERMINED TO KEEP RESERVES AT PRESENT HIGH LEVELS AND FOR THAT REASON WOULD DISCOURAGE OUTFLOW OF INVESTMENT FUNDS AT LEAST UNTIL SUCH TIME AS GOP HAS GREATER UNDERSTANDING OF LONG-TERM EFFECTS OF NEW PETROLEUM SITUATION. IN ANY EVENT, LOCAL DEMAND FOR CAPITAL IS SUCH THAT

REVERSE DIRECT INVESTMENT NOT LIKELY TO BE
SIGNIFICANT.
SULLIVAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SUPPLIES, INVESTMENT OPPORTUNITIES, FOREIGN TRADE, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA02858
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740353/aaaabxwl.tel
Line Count: 118
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 040537
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2002 by elbezefj>; APPROVED <06 DEC 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRADE AND INVESTMENT OPPORTUNITIES ARISING FROM ENERGY SITUATION
TAGS: ENRG, ETRD, RP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005